

## Bangor (City of) ME

### Moody's Rating

Issue	Rating
General Obligation Bonds, 2004	Aa3
Sale Amount	\$9,227,000
Expected Sale Date	05/25/04
Rating Description	General Obligation, Unlimited Tax

### Opinion

MOODY'S ASSIGNS A Aa3 RATING TO THE CITY OF BANGOR'S (ME) \$9.23 MILLION IN GO BONDS

AFFIRMATION OF RATING AFFECTS \$109.42 MILLION IN DEBT SECURITIES, INCLUDING THIS ISSUE

NEW YORK, May 19, 2004 -- Moody's Investors Service has assigned a Aa3 rating to the City of Bangor's (ME) \$9.23 million 2004 General Obligation Bonds. At this time, Moody's has also affirmed the city's Aa3 rating, affecting \$109.42 million in parity debt, including this issue. The current bonds are secured by the city's unlimited property tax pledge. The majority of the proceeds (\$5.47 million) will refund the city's GO Series 1994 bonds for a net present value savings of approximately 3% of refunded principal. The balance of the proceeds (\$3.78 million) will fund various capital improvements, including the construction of a new police station and vehicle replacement. The Aa3 rating reflects the city's role as a major regional economic center, average wealth levels, well-maintained financial operations and manageable debt position.

#### CITY SERVES AS THE REGION'S PRIMARY ECONOMIC CENTER

Moody's expects Bangor to remain the primary regional economic center for northeastern Maine, given the trend of diverse activity and moderate, steady tax base growth. Bangor serves as the central population and commercial center for a geographically large service area. Retail and trade activities attract customers from much of northern Maine and the southern Canadian provinces. Bangor International Airport (rated A3) and related industrial parks further contribute to the city's importance as a trade and distribution center. Over the last five years, commercial development, particularly in the retail and service sectors, as well as residential development, has contributed to 4.3% average annual increases in both assessed and full valuation. Wealth and income levels remain just below average state medians; and full value per capita is moderate at \$55,336. Employment levels remain favorable (3.9% for March 2004), below state (5.6%) and national levels (6.0%), reflecting the fundamentally stable economy.

#### SOUND FINANCIAL OPERATIONS SUPPORTED BY HEALTHY RESERVES

Moody's believes the city's financial operations will remain favorable, given the trend of conservative budgeting, healthy reserves and expenditure controls. After consecutive General Fund operating surpluses from 1998 to 2002, resulting in a General Fund balance of \$17.6 million (a healthy 23.3% of General Fund revenues), the city had a modest draw on reserves in fiscal 2003, reducing General Fund balance to \$17.3 million (a still-healthy 20.8% of General Fund revenues). The city's undesignated General Fund balance is \$8.9 million, which, at 11.4% of revenues, is well above the city charter's minimum requirement to maintain undesignated reserves at 7.5% of budget. Officials expect to return to

surplus operations in fiscal 2004. Operations are supported primarily by local taxes (54%) and intergovernmental revenues (31%), with state revenues primarily designated for education. The city also assesses an excise tax on motor vehicles that provides 5% of revenues. Over the last five years, the city has maintained a stable property tax rate and current year collections have averaged close to the 97% level.

#### MANAGEABLE DEBT POSITION

Moody's anticipates that the city's debt burden will remain manageable, given the large portion of self-supporting sewer and airport debt and average bond retirement. Approximately 44% of city debt is self-supporting from net revenues of the sewer utility and airport operations. Excluding this self-supporting debt, the city's debt burden is average at 3.5% of full valuation. When the pension obligation bonds (POB) issued in 2002 are excluded, the city's debt burden is a moderate 1.9% of full value. Amortization of principal is average, with 56.1% retired in ten years. The city expects to issue approximately \$5 to \$7 million in debt annually for capital expenditures going forward. Given the average retirement of principal, Moody's believes the city will be able to easily accommodate this additional debt without significant effect on debt position.

#### KEY STATISTICS:

2000 population: 31,473

2004 full valuation: \$1.7 billion

Full value per capita: \$55,336

Per capita income as % of state: 98.8%

Median family income as % of state: 93.1%

Debt Burden: 1.9%/3.5% (including pension obligation debt)

Payout of principal (10 years): 56.1%

Fiscal 2002 General Fund balance: \$17.6 million (25.1% of General Fund revenues)

Post-sale parity debt outstanding: \$109.42 million

#### ANALYSTS:

Geordie Thompson, Analyst, Public Finance Group, Moody's Investors Service Yaffa Rattner, Senior Credit Officer, Public Finance Group, Moody's Investors Service

#### CONTACTS:

Journalists: (212) 553-0376

Research Clients: (212) 553-1653